



TAX FLASH

Circular No. 80/2021/TT-BTC on tax administration

The Ministry of Finance recently issued Circular No. 80/2021/TT-BTC on 29 September 2021 ("Circular 80/2021") guiding the implementation of the 2019 Tax Administration Law and Decree 126/2020.

Circular 80/2021 takes effect from 01 January 2022 replacing existing regulations on tax administration including Circular 156/2013.

We would like to summarize some salient points of Circular 80/2021.

Tax allocation obligations by taxpayers with many business activities in other provincial areas

Value added tax (VAT)

- ▶ Lottery business activities: VAT amount to each province to be allocated = VAT amount payable x ratio (%) of revenue of each province to total actual revenue.
- ▶ Real estate transfer and construction: reduce VAT rate from 2% to 1%.

Corporate income tax (CIT)

- ▶ Real estates: The CT rate to be allocated, finalized and temporarily paid every quarter is equal to 1% of taxable revenue from each real estate transfer.
- ▶ Taxpayers are not required to file quarterly tax returns. The tax amount temporarily paid in the year in the provinces will be offset against the CIT payable from real estate transfer according to the final settlement at the head office according to the attached forms.

Personal income tax (PIT)

- ▶ Taxpayers shall separately calculate the PIT amount to be allocated (withholding at 10%) for income from salaries and wages of individuals working in each province according to the actual PIT withheld for each individual.
- ▶ In case employees are transferred or rotated, based on the time of payment of income and which province the employee is working, the PIT withholding amount incurred shall be calculated for that province.

Tax refund, tax offset

- ▶ Circular 80/2021 details the tax refund dossiers for eligible subjects and cases.
- ▶ In case of dissolution, bankruptcy or termination of operation, taxpayers do not have to carry out tax refund procedures. After the inspection, the tax authority will offset the payable tax amount payable and refund the net balance to taxpayers.
- ▶ Taxpayers can offset the amount of tax owed on the system of the tax authority or provided by the customs authority (except for customs fees). Besides, the tax refunded or overpaid is offset against the tax owed by the dependent units and vice versa.
- ▶ Circular 80/2021 also stipulates a number of coordinating measures amongst Tax Authorities, Customs Authorities and Banks in identifying high-risk tax refund cases and tax evasion dossiers. Accordingly, it can be seen that tax refunds will be subject a more stringent inspection and supervision under the new regulations.

Tax audit

- ▶ For tax audit at the tax office (i.e. desktop audit), the tax authority shall notify the taxpayer to explain and supply information and documents no more than 02 times (currently Circular 156/2013 does not stipulate the maximum rounds for explanation on tax matters).
- ▶ Plans, topics, annual audit (including plans, topics after adjustment) must be publicized on the tax authority's website or notified to taxpayers and tax authorities directly managing them within 30 working days from the date of issuance of the decision approving or adjusting the tax audit plan.
- ▶ It is not necessary to carry out tax audit at the tax office if the database serving the order and procedures meets the conditions for using information technology applications
- ▶ Provisions on supervision of tax audit team are now provided.



Tax administration for e-commerce, digital platforms based business and other services of overseas suppliers without permanent establishment in Vietnam

- ▶ Subjects related to e-commerce, digital platforms based business and other services of overseas suppliers without permanent establishments in Vietnam can register for e-tax filing and pay taxes directly on quarterly basis via the website of the General Department of Taxation at a percentage of revenue.
- ▶ Foreign suppliers who register for tax filing and payment in Vietnam are still entitled to authorize organizations or tax agents to declare and pay tax on their behalf by notifying the tax authorities.
- ▶ In case the foreign suppliers do not directly register, declare and pay tax:
 - The Vietnamese parties with business registration certificates will withhold and pay the taxes on the foreign suppliers' behalf.
 - For individual buyers, banks or intermediary payment institutions are responsible for monthly tax withholding and payment of the taxes. The General Department of Taxation will provide the names and websites of the foreign suppliers for the Bank or the intermediary payment organizations to undertake the withholding obligation.
 - In case individuals use credit cards to make payments, banks or intermediary payment organizations are responsible for monthly reporting to the General Department of Taxation on the payments to foreign suppliers.

Tax exemption and reduction under the Double Taxation Avoidance Agreements (DTA)

- ▶ Circular 80/2021 prescribes tax exemption and reduction procedures and documents (including related forms) under DTA.
- ▶ Within 30 working days, the tax authority will issue a decision on tax exemption or reduction or clearly state the reason for rejecting treaty benefit claims. This policy change from notification to approval or rejection by the tax authority on treaty benefit claims make DTA claimants more comfortable with the DTA process.

Tax declaration forms

Circular 80/2021 replaces all forms provided in Circular 156/2013 (and amended and supplemented circulars). The forms in Circular 80/2021 will be applied from 01 January 2022.

Please note that taxpayers need to use forms specified in Circular 80/2021 for filing annual tax finalization for 2021.

In case you need more information or wish to discuss Circular 81/2021's impacts, please feel free to contact us.

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